Kauffman Emerging Scholars Conference Agenda
October 9–11, 2014
#EmergingScholars

Conference Location: Ewing Marion Kauffman Foundation Conference Center
4801 Rockhill Road, Kansas City, Missouri 64110

Conference Hotel: Sheraton Suites Country Club Plaza
770 W 47th Street, Kansas City, Missouri 64112

Thursday, October 9

6:00 p.m.  Cocktail reception at the Plaza III Steakhouse
            4749 Pennsylvania Ave., Kansas City, Missouri 64112
            Maps will be provided at check-in—meet in the lobby of the
            Sheraton Suites at 6:00 to walk over

7:00 p.m.  Dinner

Friday, October 10

7:30 a.m.  First shuttle leaves the Sheraton for the Kauffman Foundation
7:45 a.m.  Second shuttle leaves the Sheraton for the Kauffman Foundation
8:00 a.m.  Breakfast Buffet and Welcome (Town Square)
            Welcome and Introductions, Ewing Marion Kauffman Foundation
            Wendy Guilles, acting president and chief executive officer
            Dane Stangler, vice president, Research & Policy
            Robert Strom, director, Research & Policy

9:00 a.m.  Keynote Presentation (Town Square)
            “How much does management matter?”
            Nicholas Bloom, professor of economics, Stanford University and
            2014 Kauffman Prize Medal recipient

10:00 a.m. Break
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<th>Time</th>
<th>Event</th>
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<tr>
<td>10:15 a.m.</td>
<td><strong>Concurrent Session #1</strong> <em>(Troost Room)</em></td>
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<td></td>
<td><strong>Concurrent Session #2</strong> <em>(Kansas City Room)</em></td>
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<td></td>
<td>Format: seven to eight presentations of eight minutes each, followed by roundtable discussion</td>
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<tr>
<td>Noon</td>
<td>Lunch Buffet <em>(Town Square)</em></td>
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<td>1:00 p.m.</td>
<td><strong>From Theory to Policy Panel</strong> <em>(Town Square)</em></td>
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<td>Moderator: Jason Wiens, policy director, Kauffman Foundation</td>
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<td>Presenter: William Kerr, professor of business administration,</td>
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<td>Harvard Business School, 2013 Kauffman Prize Medal recipient,</td>
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<td>and 2010 Kauffman Junior Faculty Fellow</td>
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<td></td>
<td>“Firms and the Economics of Skilled Immigration”</td>
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<td>Panel presentations: five minutes each, followed by a moderated panel discussion</td>
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<td>3:00 p.m.</td>
<td>Break</td>
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<tr>
<td>3:15 p.m.</td>
<td><strong>Concurrent Session #3</strong> <em>(Troost Room)</em></td>
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<td><strong>Concurrent Session #4</strong> <em>(Kansas City Room)</em></td>
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<td>Format: seven to eight presentations of eight minutes each, followed by roundtable discussion</td>
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<td>5:00 p.m.</td>
<td>Shuttles from the Kauffman Foundation to the Sheraton Suites</td>
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<td>6:00 p.m.</td>
<td><strong>Social Event</strong></td>
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<td>Shuttles from the Sheraton Suites to the <em><a href="#">Kauffman Center for the Performing Arts</a></em></td>
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<tr>
<td>6:30 p.m.</td>
<td>Reception with heavy hors d’oeuvres and cocktails</td>
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<td>8:00 p.m.</td>
<td><strong>National Acrobats of China</strong> <em>(Helzberg Hall, Kauffman Center for the Performing Arts)</em></td>
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<td>Post-event</td>
<td>Shuttles back to the Sheraton Suites</td>
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Saturday, October 11

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<tr>
<td>7:30 a.m.</td>
<td>First shuttle leaves the Sheraton for the Kauffman Foundation</td>
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<td>7:45 a.m.</td>
<td>Second shuttle leaves the Sheraton for the Kauffman Foundation</td>
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<td>8:00 a.m.</td>
<td>Breakfast buffet <em>(Town Square)</em></td>
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<td>8:30 a.m.</td>
<td><strong>Kauffman Research &amp; Policy Plenary Session</strong> <em>(Town Square)</em></td>
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<td>Dane Stangler, vice president</td>
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<td>E.J. Reedy, director</td>
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<td>Jonathan Willis, vice president and economist, Federal Reserve Bank</td>
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<td>Alicia Robb, senior research fellow</td>
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<td>Jason Wiens, policy director</td>
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<td>Yasuyuki Motoyama, senior scholar</td>
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<td>Jordan Bell-Masterson, analyst</td>
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<td>Mindee Forman, Emerging Scholars liaison</td>
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<td>Format: nine presentations of three to five minutes each, followed</td>
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<td>by poster session–style discussion</td>
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<td>9:45 a.m.</td>
<td>Break</td>
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<td>10:00 a.m.</td>
<td><strong>Concurrent Session #5</strong> <em>(Troost Room)</em></td>
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<td><strong>Concurrent Session #6</strong> <em>(Kansas City Room)</em></td>
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<td>Format: eight presentations of eight minutes each, followed by</td>
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<td>roundtable discussion</td>
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<tr>
<td>Noon</td>
<td>Boxed lunch and shuttles from the Kauffman Foundation to the airport</td>
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Session Abstracts and Details

Friday, October 10

10:15 a.m. – Session #1 (Troost Room)

Chair: Robert Seamans, New York University

Copyright Enforcement in Stock Photography by Hong Luo, Harvard Business School, and Julie Mortimer

This paper studies the effects of different enforcement methods on the settlement outcome of copyright-infringement instances. We use a new, proprietary dataset from a leading agency in the stock photography industry. Two field experiments provide exogenous variation in the requested settlement amount and the wording in the enforcement letter. We find that, on average, an infringer’s willingness to settle is inelastic in the price range we study (hence, the expected revenue is higher when the price is higher), and that large firms are more responsive to price changes than small and medium-sized firms. Given the same price, an extra message that explains that the agency has forgiven part of the settlement request yields a significant and positive effect. Finally, we find that the impact of different messages depends on the price and an infringer’s characteristics.

Cultural Tastes and Technological Capabilities: Examining the Shift from Analog to Digital Sound Synthesis by Andrew Nelson, University of Oregon, Mary Tripsas, and Callen Anthony

Prevailing theories posit that new technologies displace old ones, with attendant negative consequences for firms that fail to adapt. In this paper, we leverage the historical case of sound synthesis technologies to explore whether technologies that are deeply embedded in cultural tastes may, in fact, exhibit other trajectories. In the early 1980s, sound synthesizer manufacturers introduced the new technology of digital sound synthesis. Many pundits claimed that digital synthesis would quickly supplant its analog synthesis predecessor, serving as the next wave of disruptive technology in the musical keyboard industry. At first, it seemed that they were right: advertisements for products employing digital synthesis skyrocketed; analog manufacturers attempted to reframe their products using the rhetoric and specific features associated with digital technology; and many analog manufacturers who lacked expertise in the new technology went out of business. As musical tastes changed in the 1990s, however, manufacturers suddenly found that musicians and producers now preferred the “retro,” “gritty,” and “dirty” sound of analog—the exact qualities against which they’d differentiated their products a decade earlier. In turn, digital manufacturers now worked furiously to reframe their own products using an analog rhetoric, while new analog manufacturers—including some previous
incumbents who had gone out of business—appeared on the scene to promote the “new old” technology. Based upon both qualitative and quantitative analyses of more than thirty years of advertisements that appeared in the field’s leading trade magazine, our paper analyzes how changing cultural tastes can shape both the framing and the capabilities of emerging and abandoned technologies. More generally, we highlight the ways in which cultural tastes interact with and, at times, override technological capabilities, and we discuss firm strategies and entrepreneurship patterns that may accompany such situations.

Strategic Implication of European Privacy Law (The Cookie Law) on Online Advertising by Vincenzo Palermo, University of Toronto and Dan Breznitz

Targeted advertising relies on customer data to increase the appeal of marketing campaigns. While it has become a common practice, data collection often happens without the explicit consent of the users, thus heightening consumers’ privacy concerns.

We use unique and proprietary data on advertisers’ investments in targeting advertising to explore the effect of the new privacy law in the European Union (EU), known as “Cookie Law,” introduced in 2011. The Cookie Law requires advertisers and publishers to clearly inform users of the use of cookies as a targeting mechanism; as a consequence, users may change their online shopping behavior because of the awareness of the data collection. Our dataset contains daily observations on both U.S. and European advertisers. It includes variables such as users’ behavior (e.g., clicks and purchases), investment across advertising channels, and the actual targeting mechanism adopted.

By implementing a diff-in-diff estimation, our intent is to study the impact of this new privacy regulation. First, it is important to understand how advertisers react to the new law. To offset the loss of data collected, advertisers may expand the reach of targeted users, thus potentially increasing the level of ineffective advertising. Second, if users reject targeted advertising, its effectiveness in terms of transactions and its ability to generate revenues may be reduced, thus inducing a possible profit loss in the e-shopping market. Third, the new law may induce a change in investment choices: if targeted advertising loses its efficiency, advertisers may shift their investments toward other marketing channels.

Engage the Wisdom of Crowds: Structural Analysis of Dynamic User Contributions in Online Communities by Wei Chen, Xiahua (Anny) Wei, University of Washington—Bothell, and Kevin Zhu

This paper studies the design of effective motivating mechanisms under dynamic user contributions in online communities. Characterizing the individual-level dynamics in a hidden Markov model with two latent motivation states (high vs. low),
we examine the influence of different motivating mechanisms on contributions using a structural model of public goods. We then estimate the model with a Bayesian approach on user-level panel data. We find reputational motivations are important to transition users to the high motivation state. Yet, the same motivating mechanisms may work differently in the two motivation states. Surprisingly, badges may suffer the “moral licensing” effect when a user is already highly motivated, although they help transition users to the high motivation state. Further, highly motivated users are more responsive to community size and the demand for knowledge. Simulations of our structural model inform community managers of designing specific motivating mechanisms. Our findings offer guidance to platform designers on how to motivate community participants and build sustainable online communities.

Blooming Where They’re Planted or Seeking Greener Pastures: The Migration Patterns of University-backed Startups by David Benson, Brigham Young University, and Paul Godfrey

Can technology transfers from university-sponsored research fuel local and regional economic development? To answer “yes” assumes that successful technology licensees operate locally, near the university or in the region. We question that assumption and investigate the following question: Do startup firms based on university-licensed technology that remain local enjoy greater success than those that relocate? We test this question on a sample of 2,051 firms from thirty-seven of the top fifty U.S. patent producing universities. Results from a set of logistic regressions indicate that the population size of the community has no impact on funding; however, the presence of state development objectives adversely impacts the receipt of venture capital. University-licensed startup firms that relocate to another state become more likely to receive funding. We identify implications of our findings for theory development, public policy, and managerial decision making.

Slack Resources, Competition, and the Adoption of MOOCs in Higher Education: A First Look by Peng Huang, University of Maryland, and Henry Lucas

Massive Open Online Courses (MOOCs), as a recent disruptive development in distance education enabled by advanced information technologies, are gaining increasing popularity and transforming higher education. We take the first step to understand why some schools are eager to embrace this open model of teaching, while at the same time some others are reluctant to jump on board. Applying the theory of exploration and exploitation (March 1991), we model universities’ decision to adopt MOOCs as an explorative activity and analyze the tradeoffs they face when allocating their resources in balancing exploration and exploitation. By examining the complete history of MOOC adoption by U.S. colleges and universities, we find that slack resources are positively associated with the decision to become a MOOC producer, but a university in a highly competitive situation is less likely to explore MOOC production, possibly because of strategic reasons. Interestingly, we also find
evidence that these factors have heterogeneous effects on different types of higher education institutions. For example, while research schools (compared to teaching schools) are more likely to use their slack resources to explore MOOCs, both research and teaching schools are similarly constrained by competitive pressure in their decisions of adopting MOOCs. We discuss the implications for research and practice.

Regional Industry Clusters and Entrepreneurial Human Capital by Henry Renski, University of Massachusetts–Amherst

This study takes an ecological perspective on entrepreneurship, examining how space and place interact with firm and individual attributes to shape the fortunes of new firm startups. More specifically, it asks whether entrepreneurs with similar endowments of entrepreneurial human capital perform better when located in regional industry clusters relative to similarly endowed entrepreneurs located in less munificent environments.

I use detailed information from the Kauffman Firm Survey to measure several different forms of entrepreneurial human capital: educational attainment, years of experience working in the same industry as the startup, prior startup experience, and the size of the startup team. I situate these startups within regional industry clusters based on definitions recently developed by the Harvard Business School cluster mapping project. I then test whether the density of relevant economic activity in the regional cluster acts to moderate the effects of entrepreneurial human capital along several different firm outcomes; namely, survival, growth, and profitability. The results are mixed—depending greatly on the industry in question as well as the specific outcome of interest. However, there is some evidence to suggest that entrepreneurial human capital may enhance the advantages of deep clusters or, in the case of competition/congestion diseconomies, act as a buffer against.

10:15 a.m. – Session #2 (Kansas City Room)

Chair: Tami Gurley-Calvez, University of Kansas

How Much Does Regulation Deter Entrepreneurship? by James Bailey, Creighton University, Michael Thomas, and Diana Thomas

Many scholars, such as Djankov et al. (2002), Klappler (2006), and Nystrom (2008), have worried that regulation deters entrepreneurship because the fixed costs of complying with regulations are more easily overcome by larger firms. We explore the relationship between regulation and entrepreneurship using a novel dataset on the extent of U.S. federal regulations by industry at the three-digit NAICS level, the Mercatus Center’s Industry-specific Regulatory Constraint Database (IRCD), and
data on firm births and employment from the Statistics of U.S. Business. We run fixed effects regressions to show that more regulated industries experienced fewer new firm births and slower employment growth in the 1998–2010 period. This may be an example of large firms successfully lobbying to raise their rivals’ costs—we also find that regulations inhibit employment growth in small firms more than large firms.

The Impact of Non-compete Enforcement on the Creation and Performance of Medical Practice Startups by Evan Starr, Natarajan Balasubramanian, Syracuse University, and Mariko Sakakibara

This paper will examine the impact of state policies prohibiting the enforcement of covenants not to compete for physicians. Removing the legal threat of non-compete enforcement reduces moving costs between medical practices and entry costs for physicians who wish to create a new medical practice. We hypothesize that these changes in the legal regime will increase physician mobility, increasing the propensity for physicians to open new medical practices, redistributing physician employment across new ventures and incumbents, increasing competition in the industry, and affecting the wage trajectories and distribution among physicians.

To empirically examine these effects, we construct a dataset of new and existing medical practices from the Longitudinal Business Database from 1976 to 2010. Using an event study framework, we will identify the impact of non-compete enforcement by exploiting the adoption of physician carve-outs in Massachusetts (1977), Colorado (1982), and Delaware (1983).

This paper will contribute to the existing literatures on new venture creation and performance and the literature on the efficacy of non-competes in two major ways. First, using these natural experiments to clearly identify the impact of a complete carve-out from non-compete enforcement has clear policy ramifications that cannot be identified in other contexts because of a lack of longitudinal variation. Second, the long time horizon allows for both a short-run and long-run analysis of the impacts of non-compete enforcement on the creation, growth, and survival of medical practices as well as the distribution of employment across incumbents and new ventures.

State Non-compete Laws and the Market for Physician Services by Naomi Hausman, Hebrew University of Jerusalem, and Kurt Lavetti

Spending on physician services is rising faster than total medical spending in the United States and has been accompanied by consolidation of providers, encouraged by national policies such as the Patient Protection and Affordable Care Act. This consolidation could increase efficiency in provision, reducing prices of services, or increase market power, raising prices and potentially driving up total spending. However, entrepreneurial physicians may choose to consolidate or separate their
practices for a variety of reasons that may be correlated with the quality of services, the organization of other providers and insurers in the local market, the nature of demand, and ultimately with prices. We use new, more comprehensive variation in non-compete laws to instrument for the concentration of physician services. These laws—which govern the degree to which a state enforces agreements by employees not to compete with their employers, and which vary on multiple dimensions across states and time—significantly affect the size distribution and thus market concentration of physician practices. We estimate the price and quantity effects of increased concentration in localized and medically specialized markets for physician services.


State governments invest in early-stage innovative activity as an economic development strategy. Most notably, forty-five states have established programs designed to complement the federal Small Business Innovation Research program (SBIR) to bolster innovation and local competitive advantage. This paper aims to examine the efficacy of one of the more aggressive state SBIR-related programs — the State Match Phase I (SMP-I) program. Fourteen states have had this program offering a non-competitive match to successful SBIR Phase I recipients as they proceed to compete for the larger SBIR Phase II award. Previous research has examined the broad state-level trends of this program on securing Phase II awards and incentivizing firms in the state to apply for the Phase I award; however, the research overlooks variations in the levels of matches. This paper takes a narrower look at the program for two states — Kentucky and North Carolina — and considers how the level of the match affects a series of firm-level outcomes including Phase II success rates, employment, and sales. This project-level approach allows for a more detailed analysis on how funding and industrial variation affect innovation among firms.

State Corporate Taxes, Firm Mobility, and Innovation Productivity: Evidence from Patent Data by Juan Carlos Suárez Serrato, Duke University, Owen Zidar, and Zoe Cullen

States compete to attract innovative firms. One way that states compete is through lowering corporate taxes. This paper investigates the effects of corporate taxation on firm location and productivity in U.S. states. Using a unique dataset linking the universe of U.S. establishments to the universe of patents, we document new facts on establishment mobility and patent activity and provide both reduced-form and multinomial logit evidence of responses to state corporate taxes. The results are rationalized in a model of the location and taxation of heterogeneously productive firms.
State Innovation Programs and the Retention of Science and Technology Startups: Evidence from the Great Lakes Region by Bo Zhao, University of Hong Kong, and Rosemarie Ziedonis

New science and technology companies originate from hospitals, research labs, and industry incumbents that are geographically dispersed across many U.S. states. Yet the financial and human capital required for commercialization is often clustered in specific states and regions. Based on evidence from Great Lakes states from 1990 to 2010, this study investigates the baseline proclivity of life sciences and information technology (IT) startups to leave their states of initial incorporation as well as the impact of state innovation programs on their relocation decisions. Overall, we find that life science startups in the region are more likely to relocate to another state than is true for young IT companies. Importantly, results from our difference-in-differences estimation suggest that the rate of out-migrations among life science startups slows significantly following the launch of large R&D programs by the home state that are targeted toward that sector. The study provides the first systematic evidence that policy interventions at the state level significantly alter the geographic movement of entrepreneurial firms.

Lack of Selection and Imperfect Managerial Contracts: Firm Dynamics in Developing Countries by Ufuk Akcigit, University of Pennsylvania, Harun Alp, and Michael Peters

Firm dynamics in poor countries show striking differences to those of rich countries. While some firms indeed experience growth as they age, many firms are simply stagnant in that they neither exit nor expand. We interpret this fact as a lack of selection, whereby producers with little growth potential survive because innovating firms do not expand enough to force them out of the market. Our theory stresses the role of imperfect managerial contracts. If managerial effort provision is noncontractible, firms will endogenously limit managerial authority to reduce the extent of hold-up. As large producers will have a higher incentive to put such inefficient monitoring policies in place, the returns to innovation decline rapidly. Improvements in the degree of contract enforcement will therefore raise the returns of growing large and increase the degree of creative destruction; innovative firms will replace inefficient producers quickly.

To discipline the quantitative importance of this mechanism, we incorporate such incomplete managerial contracts into an endogenous growth model and calibrate it to firms-level data from India. Improvements in the contractual environment can explain a sizable fraction of the difference between U.S. and Indian lifecycles of plants. The model also suggests that policies targeted toward small firms could indeed be detrimental to welfare, as they slow down the process of selection.
This paper documents the historical evolution of entrepreneurship in the United States. We document broad patterns in business ownership rates and the demographic composition of business owners between 1860 – 1900. Analyzing historical patterns in entrepreneurship within the United States over time offers an interesting reference point for understanding how entrepreneurship relates to economic development and institutions. Modern cross-country studies have documented a number of patterns including an inverse relationship between levels of development and self-employment rates (Gollin 2008) to the tendency for lower-skilled individuals to crowd into business ownership, thereby driving down the productivity of these sectors (Buera et al. 2009). Many of these authors have offered institutional explanations such as limited contract enforcement leading to imperfections in the credit market. Studying entrepreneurship in the historical United States can provide further clarity on the role of the institutions for the simple reason that the United States lacked them. While the United States, by modern definitions, was a developing country in terms of income levels during the nineteenth century, it also had a well-functioning set of economic institutions with strong property rights protection and limited governmental interference in the financial system. In this regard, the patterns in entrepreneurship for the U.S. are reflective of what the “normal” pattern of development should be free of government interference. To document the patterns described above, we collect a sample of records from the credit reports of Dun and Bradstreet (D&B). This sample runs from 1860 to 1900 for Alabama, Mississippi, Louisiana, Georgia, South Carolina, Iowa, and Massachusetts.

1:00 p.m. – From Theory to Policy Panel (Town Square)

Presenter:

William Kerr, Harvard Business School

Firms and the Economics of Skilled Immigration by Sari Pekkala Kerr, William Kerr, Harvard Business School, and William Fabius Lincoln

Firms play a central role in the selection, sponsorship, and employment of skilled immigrants entering the United States for work through programs like the H-1B visa. This role has not been widely recognized in the literature, and the data to better understand it have only recently become available. We discuss the evidence that has been assembled to date in understanding the impact of high-skilled immigration from the perspective of the firm and the open areas that call for more research. Since much of the U.S. immigration process for skilled workers rests in the hands of
employer firms, a stronger understanding of these implications is essential for future policy analysis, particularly for issues relating to fostering innovation and entrepreneurship.

Panelists:

Vanessa Beary, U.S. Department of State

In July, I began a Franklin Fellowship with the U.S. Department of State in the Global Entrepreneurship Program. My ultimate goal during my fellowship is to advance the department’s knowledge about the design and efficacy of youth EEPs and understand implications for policy. Over the course of my fellowship, I will examine practical challenges associated with the design and implementation of international youth EEPs. I will highlight research-based, programmatic approaches that harness the creative power and leadership skills of disadvantaged youths living in challenging environments that are critical to U.S. and global security.

Joshua Drucker, University of Illinois at Chicago

Innovation districts are fast becoming a fad in economic development, promoted energetically by the Brookings Institution’s Bruce Katz among others and buoyed by ostensible successes in Barcelona and Boston. Initially skeptical, I have become convinced that innovation districts present a substantive policy innovation, offering a practical framework for effecting entrepreneurship-led economic development and the opportunity to organize local and regional policy around solid theory and concepts of how innovation and entrepreneurship work. I will discuss innovation districts: what they are, how their design rests on theories and understandings of entrepreneurship, how they operate to support localized entrepreneurship and innovation, criticisms, potential pitfalls, and implementation cases. Further, I will explain how I perceive of innovation districts as more than a stand-alone initiative, but rather as an assemblage of policies that jointly foster a healthy entrepreneurial ecosystem—and an example of how policymakers can use information about entrepreneurship and innovation to benefit regional economies.

This topic arises from a master’s-level seminar on innovation I designed and taught last spring, “Planning for Innovation.” As a semester-long research project, five students constructed a report for World Business Chicago, our regional economic development organization, which is determining how best to establish an innovation district as part of a broader economic development plan. The report investigated underlying justifications, design, and implementation of innovation districts, largely through categorization of key cases, and offered policy suggestions for Chicago. I gained knowledge about and perspective on innovation districts through advising and overseeing the student project and coordinating with the client.
Charles Eesley, Stanford University

The variety of types of entrepreneurship seen across the world from small businesses to high-growth, innovative startups are a result of different combinations of formal and informal institutions. These ideas are presented and summarized into a typology of institutional effects on the type of entrepreneurship depending on the combination of formal and informal institutions. The paper concludes with implications for future theory and research on the joint influence of different institutional effects and particularly on the intersection between institutions and entrepreneurship.

Christopher Hayter, Arizona State University

I have 15 years of experience working with policymakers at all levels of government and, more recently, working in Southeast Asia and the Middle East on evaluation and strategic planning projects at the intersection of science, technology, and entrepreneurship. I became interested and involved in academic research as a result of this practical work (and the many questions relating to entrepreneurship that remain untouched in the literature). My complementary academic research has focused on the changing nature of science, the role of universities, and entrepreneurship within scientific institutions. Researchers would do well to frame their results not for academic publication but also as part of a broader “marketing [or dissemination] strategy” that ensures that their work is not only understood but can have (maximum) impact within the policy world. Further, researchers would do well to understand the questions posed by policymakers with the caveat that these are inherently context specific and time sensitive. In other words, from my perspective, we should not only discuss “From Theory to Policy,” but also how policy relates to theory: what and how we investigate questions relating to entrepreneurship, among related topics.

Kelley A. Packalen, Queen’s University

In many countries, governments sponsor small business development centres. One of the main goals of these centres is to foster new business creation and growth within their local communities. As part of this goal many centres offer individual-level confidential business advising services for free to anyone who requests it. Considerable research has investigated the benefits (or lack thereof) of small business advice, but little research has investigated what factors may influence the type of advice provided.

Based on the findings from semi-structured interviews with business advisors and directors of government-funded small business centres throughout Ontario, Canada. I investigate how organizational features of the centres and personal backgrounds of individuals involved in the advising process influence the type of mentoring provided.
Specifically, when centres offer specific programs (e.g., those focused on youth entrepreneurship, transitioning unemployed individuals to self-employment, or providing loans) and/or have number-focused boards of directors, advisors tend to focus foremost on helping entrepreneurs with completing the required business plan template. In contrast, advisors who focus foremost on providing what Kram (1985) terms psychosocial support tend not to be constrained by a particular program and/or use a specific advising style. These include the Sirolli Method (www.sirolli.com) or methods taught in the APEC Certified Business Counsellor program (www.apec-ibiz.org).

Elaine C. Rideout, North Carolina State University

_Innovation U 2.0: Reinventing University Roles in a Knowledge Economy_ by Louis G. Tornatzky and Elaine C. Rideout, North Carolina State University

_Innovation U 2.0_ is a 300-page book and the topic of a major conference convened June 24–25, 2014, in Research Triangle Park, N.C. for university, federal, and state innovation policy leaders. The book is about how technological innovation, entrepreneurship, and business partnerships happen in a carefully selected case sample of twelve major U.S. universities. The role of organizational leadership and culture is a prominent theme as well. Cases include: Arizona State, Brigham Young University, Caltech, Carnegie Mellon, Clemson, Georgia Tech, MIT, North Carolina State, Purdue, Stanford, University of Florida, and the University of Utah. The cases include dozens of examples of best practices, policies and programs that are related to technological innovation, industry and community engagement, and the commercialization of inventions.

3:15 p.m. – Session #3 (Troost Room)

Chair: Jon Eckhardt, University of Wisconsin–Madison

_Disentangling Experience and Its Effects in Knowledge Sharing and Transfer_ by Nachiket Bhawe, North Carolina State University, and Beverly Tyler

We advance understanding of prior experience in facilitating knowledge sharing and transfer within and across project teams. To do so, we analyze the detailed work histories of 2,241 video game development teams comprising of 100,013 people and study the performance and impact of video games developed by them. We separate experience into team member experience in industry years, experience in role diversity (different job roles held), and experience of prior affiliation to see when and which experience is most beneficial in terms of sales performance and impact. Preliminary results show that experience in years does not influence game impact, but role diversity experience improves sales performance as well as impact. Prior
affiliations, i.e., prior team membership between focal team members, can enhance knowledge sharing in the team by increasing the effect of experience on project performance and impact. We will be analyzing how high and low levels of affiliations and their temporal spread accentuate or attenuate the effect of experience on sales and impact. Our findings suggest a nuanced effect of experience on project performance. Not all experience is the same and different types of prior experience can interact and affect performance in complex ways.

*Child Health Insurance and Entrepreneurship among Older Americans: Evidence from the Young Adult Mandate* by Amelia Biehl, Tami Gurley-Calvez, [University of Kansas](http://example.com), and Brian Hill

Recent evidence suggests that as many as 2.1 million young adults aged nineteen to twenty-six were added as dependents to their parents’ insurance plans following implementation of the ACA dependent coverage provision in September 2010 (Sommers and Kronick 2011, Cantor et al. 2012, Antwi, et al. 2013). About half of these young adults were newly insured and half switched from another source of coverage, primarily their own employer-provided insurance. Consistent with the decline in employer-provided insurance, young adults were less likely to be working full time (Antwi, Moriya, and Simon 2013). Although there is growing evidence that the young adult coverage provision affects the labor market behavior of children, little is known about how the provision might affect the labor market choices of parents. We investigate whether the dependent care provision altered parents’ hours worked, probability of being partially or fully retired, and employment sector (wage and salary versus self-employment). We use 1998 to 2012 data from the biennial Health and Retirement Study, a nationally representative panel survey of older Americans ages fifty-one and older. We estimate the effects of the dependent coverage provision in a differences-in-differences framework, where we compare parents whose children were affected by the provision in the 2012 survey with those whose children were too old to qualify (aged twenty-seven to twenty-nine). Following the literature, we test for sensitivity to limited state laws in place prior to implementation of the federal provision and allow for an anticipatory effect as insurance companies might have complied with the provision prior to September 2010, anticipating the change.

*Human Capital, Management Quality, and the Exit Decisions of Entrepreneurial Firms* by Shan He, Louisiana State University, and C. Wei Li

We model the employee incentive problem jointly with a firm’s exit decision. Our model predicts that firms in industries where human capital is important are more likely to go public and use high-powered stock-based compensation. We also show that the higher the management quality, the more likely a firm is to go public than be acquired. Lifecycle-wise, a firm with high capital intensity and/or high management quality will choose to go public at a younger age.
Entrepreneurship—New Theory and Evidence by Deepak Hegde, New York University, and Justin Tumlinson

Why do individuals become entrepreneurs? When do they succeed? We develop a model in which individuals use pedigree (e.g., educational qualifications) as a signal to convince employers of their unobserved ability. However, this signal is imperfect, and individuals who correctly believe their ability is greater than their pedigree convey to employers, choose entrepreneurship. Since ability, not pedigree, matters for productivity, entrepreneurs earn more than employees of the same pedigree. Our preliminary empirical analysis of two separate nationally representative longitudinal samples of individuals residing in the United States and the United Kingdom supports the model’s predictions that (a) entrepreneurs have higher ability than employees of the same pedigree, (b) employees have better pedigree than entrepreneurs of the same ability, and (c) entrepreneurs earn more, on average, than employees of the same pedigree, and their earnings display higher variance. We discuss the implications of our findings for entrepreneurship, education, and public policy.

The Origin of Entrepreneurs and the Effects on Venture Performance: Evidence from the Biotechnology Industry by Yongwook Paik, University of Southern California, and Joon Mahn Lee

Employee entrepreneurship is a major source of new firm formation, which relates to firms spawned from incumbent firms in the industry, known as spinouts. Prospective entrepreneurs obtain technical knowledge, accumulate social capital that is linked to customers, suppliers, and complementary assets, acquire industry-specific experiences, gain reputation in the industry, and pick up successful routines by being a member of the incumbent. As entrepreneurs set up new venture firms, these resources and capabilities acquired from the incumbent firms strongly influence the features of the new venture firm in many different aspects (e.g., capital raising, organizational routines, business strategies, etc.), which eventually links to firm performance. However, despite evidence that founders’ pre-entry experience matters, and that resources and capabilities of a new venture firm may originate from incumbent firms, there are theoretical gaps that remain in the study of spinouts that blur our understanding in this domain. For example, most studies assume that entrepreneurial spinout activities occur within the same industry as that of the incumbent. In this study, we address the above gap by developing and testing a theoretical framework on how the different types of spinouts affect new venture performance in terms of innovation, financing, and IPO exits. We consider three different types of spinouts; namely, horizontal industry spinouts, upstream industry spinouts, and downstream industry spinouts. In this study, we use data on research institute-biotechnology-pharmaceutical industries, and study the biotechnology...
industry as a focal industry where spinouts constitute a significant percentage of new entrants.

The Alignment of Entrepreneurial Goals and Progress in the Startup Process by Maija Renko, University of Illinois at Chicago

Entrepreneurship is conceptualized as a person-opportunity interface. Yet when studied, researchers typically study either the person or the opportunity/environment. Here, we take the perspective that to understand the impact of individual-level financial motivation on new business outcomes, we need to integrate the opportunity construct too. We borrow from the person-job fit literature, introduced to entrepreneurship as a “person-entrepreneurship fit,” and investigate how the combination of individual’s financial motivation with the type of business opportunity they are pursuing affects the outcomes of a startup process. Empirical results from a dataset of nascent entrepreneurs show that the better the alignment between the entrepreneur’s financial motivation and the revenue expectations from a business opportunity, the higher the likelihood of a successful startup.

Forged in the Heat of Battle: New Firms as Business Incubators by Tiantian Yang, Duke University

This paper addresses the question of “where do organizations come from” by investigating the conditions under which organizations spawn entrepreneurs. Synthesizing two lines of sociological inquiries that emphasize the effects of organizational context and interpersonal influence, I develop a theoretical framework that treats organizations as (1) structuring the conditions under which employees potentially meet, learn from, and imitate others with current or previous entrepreneurial experience, and (2) a primary social setting consisting of meaningful cues that trigger individuals’ reactions to knowledge and information about entrepreneurship. Based on this conceptualization of organizational workplaces, I propose three hypotheses about the moderating effects of organizational context on the magnitude of social influence under which people transition into entrepreneurship. Results from analyzing a large scale dataset from Sweden from 1989 to 2002 suggest that knowledge and information about entrepreneurship are more salient and relevant to employees when they are involved in the process of creating new business, and learning on the job allows individuals to iterate between receiving feedback and implementing what they learn in their practice. Furthermore, my results show that employees’ transitions to entrepreneurship are less likely to be affected by founders or former entrepreneurial peers when their workplaces are more routinized.
Does Working for Oneself, Not Others, Improve Later Life Health? by Ting Zhang, University of Baltimore, and Dawn Carr

This paper examines the health impact of being self-employed versus working for others among older adults (aged fifty and older) and its implications. Facing an aging workforce, self-employment at older ages may provide an economic benefit via an alternative to retirement. However, little research has examined the health effects of self-employment in later life. Relying on the latest seven waves of data from the Health and Retirement Study, this study comprehensively examines health using a twenty-nine-item index to measure the impact of self-employment status on changes in older adults’ overall health. We conduct a two-stage generalized panel data instrument variables regression model, with lagged values to control potential endogeneity and simultaneity issues. We find self-employment compared to wage-and-salary jobs result in better health, controlling for job stress and work intensity, cognitive performance, prior health conditions, socioeconomic, and demographic factors. This positive self-employment impact stands out in knowledge-based industry sectors. In labor-intensive industry sectors such as Durable Goods Manufacturing, self-employed older adults’ more gradual retirement seems to result in a health advantage over wage-and-salary employees. Limitations of the study and future research directions are discussed.

3:15 p.m. – Session #4 (Kansas City Room)

Chair: Emily Cox Pahnke, University of Washington

Entrepreneurship, Firm Sales and the Dynamics of the Wealth Distribution by Marnix Amand, University of Lausanne

This paper studies the dynamics of the wealth distribution in a heterogeneous agent economy with entrepreneurship.

Using a novel dataset, I show empirically that (1) households move in and out of the top of the wealth distribution at high frequencies—e.g., up to 15 percent of households in the top five percent in a given year were not present the previous year; (2) a quarter of those households display “wealth jumps,” i.e., sudden large increases in wealth; and (3) entrepreneurs are vastly overrepresented in the top of the wealth distribution and among the upwardly mobile households. The first two facts are at odds with existing quantitative models of the wealth distribution, which do not allow for wealth jumps and display very slow wealth accumulation processes.

The last fact motivates the second part. The literature has shown that entrepreneurs are an essential element in explaining the wealth distribution. However, they were modeled as “lifetime entrepreneurs,” stuck with their firm for life and patiently
accumulating wealth. This allows for neither wealth jumps nor frequent movements in wealth. I construct a quantitative model where entrepreneurs have the opportunity to sell their firm. In general equilibrium, I show that this model replicates the known facts of the wealth distribution as well as previous work, and also the new stylized facts described above. The policy relevance of this work lies in the tax consequences: it is essential to correctly model the incentives and dynamics of wealth creation when considering a tax on wealth, and this work contributes to this.

*Incentive Effects of Equity Compensation: Employee-level Evidence from Pre-IPO Google* by Bo Cowgill, University of California, Berkeley, and Eric Zitzewitz

We examine whether differences in stock exposure motivate differences in performance using data from Google, in both its pre- and post-IPO eras. Employees with more initial exposure to Google stock than peers hired at the same time and job grade perform slightly better across a variety of measures. To attempt to determine the direction of causality in this relationship, we use the fact that Google assigns option strike prices based on the stock price during an employee’s first week to identify variation in initial stock exposure that as a result of luck rather than negotiation. We find that employees who begin work when the Google stock price is lower than surrounding weeks (and thus receive more initial stock exposure) do not perform better than their peers. In contrast, we find evidence that employees do respond to incentives tied to individual performance, such as those created by the promotion cycle. We also find that unvested equity compensation may indirectly affect performance by encouraging retention, since employees appear to make retention and performance decisions jointly.

*Product-form Strategy for Early-stage Ventures* by Kellilynn Frias, Texas Tech University, and Mrinal Ghosh

Product-form strategy refers to the strategic marketing process undertaken by companies seeking to transform an invention into a commercializable market offering. The three primary alternatives chosen by firms include: a licensing strategy (i.e., selling intellectual property via a licensing agreement), a components strategy (i.e., selling intermediate products), or a systems strategy (i.e., selling plug-and-play products). Implications of this strategic choice include: product market entry, likely customers and competitors, a roadmap for production requirements, and potential supply chain relationships. Broadly, this decision impacts the entire business model. Recent research has documented some of the strategic factors impacting product-form strategy for both established firms and early-stage ventures. In this manuscript, we seek to understand whether product-form strategy is evaluated during early-stage venture “pitches” for business angel support and consequently test our framework for product-form strategy with venture scenarios. On the basis of a two-part data collection with active business angels, we find angels do deliberate about a venture’s product-form strategy; may request entrepreneurs adopt alternative
product-form strategies in order to garner investor support; and systematically evaluate product-form strategies differently in our scenario-based study of fictitious ventures. Results suggest angels utilize a combination of factors—technological, environmental, and firm-level—to determine how to best commercialize an invention. Specifically, modularity of technology, enforceability of intellectual property, and internal product development resources have differential impacts on angel investors’ preferred product-form strategy.

Financial Shocks and Job Flows by Neil Mehrotra, Brown University, and Dmitriy Sergeyev

The labor market recovery since the end of the Great Recession has been characterized by a marked decline in labor market turnover. In this paper, we provide evidence that the housing crisis and financial nature of the Great Recession account for this decline in job flows. We exploit MSA-level variation in job flows and housing prices to show that a decline in housing prices diminishes job creation and lagged job destruction. Moreover, we document differences across firm size and age categories, with middle-sized firms (twenty to ninety-nine employees) and new and young firms (firms less than five years of age) most sensitive to a decline in house prices. We propose a quantitative model of firm dynamics with collateral constraints, calibrating the model to match the distribution of employment by firm size and age. Financial shocks in our firm dynamics model depresses job creation and job destruction and replicates the empirical pattern of the sensitivity of job flows across firm age and size categories.

Debt Specialization in Startups by Shane Moser, University of Mississippi

This paper examines the debt structure of startup firms and finds a tremendous amount of debt specialization: seven out of eight levered startups borrow with predominantly one type of debt. The most popular of these sources is credit cards; nearly one-third of our sample almost exclusively uses plastic. Roughly one-quarter depend mostly on bank loans. Another one-fifth mainly utilizes trade credit. Finally, approximately ten percent rely mostly on family and friends for their debt financing. Colla, Ippolito, and Li (2013) examine debt specialization of public U.S. firms and find that eighty-five percent borrow predominantly with one type of debt. We consistently find even higher levels of specialization in our sample. Intriguingly, as these startups age, specialization declines. However, this trend reverses after the financial crisis, when outlets for borrowing became more limited. In general, firms that specialize in one type of debt are smaller than those with more debt diversity. A notable exception is those firms that are able to secure mainly bank loans: they look much like the companies that rely on a mix of debt financing. These firms that secure a mix of debt financing or rely mainly on bank loans are more likely to be owned by a white male with a college degree and are more likely to have patents and R&D expenses. They are also more likely to survive than firms that rely mainly
on credit cards, trade credit, or friends and family, even after controlling for firm and owner characteristics.

Financing Modes & Models of Social Entrepreneurship: An Integrative Framework by Bogdan Prokopovych, Stockholm Centre for Organizational Research, and Davis Plotnieks

In this paper we draw upon the extant social finance literature and map the field with respect to the modes of financing of social enterprises. We propose an integrative framework with two dimensions that helps identify linkages between the emergent themes and types of market and nonmarket funding. We motivate the framework with several stylized facts relating to the dimensions of the framework using the results of a unique multicountry survey of over 500 social enterprises throughout Europe. Based on the reviewed published academic and practitioner literature, we identify five major themes that the social finance literature on funding modes cluster around at the micro and macro levels: social impact and its measurement, organizational forms and design, social mission and its drift, impact of institutions, and institutional logics and complexity/hybrid logics. We show that studies within these themes correspond to the organizational and field levels views of funding social enterprises. Finally, we point to potential empirical and theoretical gaps in the literature.

Is Finance Most Binding Constraint or Complaint? by Rodrigo Wagner, University of Chile and Tufts University

Access to external finance is usually remarked as a salient obstacle for entrepreneurs and SMEs, although in theory other nonfinancial constraints could be more binding. We contribute to this debate, exploiting the idea that if external finance is more constrained for some firms, then they should be using more heavily their internal funds, everything else constant, with a higher share of reinvested earnings. Using multicountry firm surveys of developing nations, we outline three stylized facts. First, entrepreneurs reinvest a larger share of their earnings. Firms younger than five years old have a share of reinvested profits sixty percent larger than that of older firms. Second, the reinvestment of internal funds is not significantly higher for groups that self-report finance as their “most binding constraint.” Third is that only a few and extreme measures of reported constraints significantly relate to more reinvestment. These findings suggest that one should not equate firm complaints to binding constraints or, alternatively, that indivisibilities could generate W-shaped cost curves and scale-up challenges that need critical mass for investment.
Identity and Organizational Entry Into Activist-mediated Markets: Evidence from U.S. Biodiesel Producers by Shon Hiatt and Chad Carlos, Brigham Young University

How does collective action influence the types of organizations that enter new markets? We propose that organizational identity plays a fundamental role in determining whether and how prospective entrants respond to new market opportunities promoted and opposed by collective activists. Using the emergent U.S. biodiesel market category, we examine how the various tactics of new-market proponents (farmer associations) and new-market opponents (environmental groups) influenced market-entry rates among organizations at different stages of identity development. We discuss the implications of our study for the literatures on organizational theory, social movements, and entrepreneurship.

The Investment Horizon Issue in User-owned Organizations by Elaine L. Farmer, University of Missouri–Columbia, Jason R. Franken, and Michael L. Cook

Drawing on recent advances in organizational economics, this research investigates an important investment constraint in collective entrepreneurship—the horizon problem. Scholars have suggested restrictions on transferability of residual claimant rights and limited liquidity through a secondary market result in a disincentive for user-owners to invest in growth opportunities. However, despite the conceptual and anecdotal arguments supporting existence of investment constraints, empirical evidence is scarce and inconclusive. This study attempts to fill part of this void in the literature by investigating the investment horizon problem with multivariate data analysis of survey data collected from the memberships of four user-owned organizations. Results suggest the horizon problem is expressed in four ways: through “wait-to-receive” horizon problem (members prefer acceleration of redemption of previously allocated equities), “hassle” horizon problem (members prefer limiting investment in the organization because it is too costly to understand or conform to the capital formation and equity redemption policies), “current obligation” horizon problem (members prefer a higher percentage of cash payment in the year it is earned if the cost to pay taxes on the residual claims in combination with current working capital obligations is greater than the benefit of further cooperative investment) and “short-term residual” horizon problem (members prefer the cooperative not invest in assets from which they cannot extract complete benefit during their membership horizon). Each horizon problem is more important in certain contexts and for different types of cooperatives, which leads to different implications.
Casting Shadows: Impact of Parent-spinout Knowledge Distance on New Venture Alliances by Shweta Gaonkar, Johns Hopkins University

This paper examines how prior founder affiliation contributes to the formation of network ties of new ventures founded by employee entrepreneurs. Prior research on employee entrepreneurship has attributed the success of new ventures founded by employees (spinouts) to inheritance of knowledge from founders’ previous employer (parent). However, studies on new venture alliance suggest that the success of new firms stems from establishing strategic alliances with other firms. I bridge the gap between these two literatures by examining how the knowledge accumulated by the founder of the spinout influence their alliance partner choice, using a data of pharmaceutical and medical device firms from 1986 to 2012. The findings suggest that the spinouts that are similar to their parent are likely to form ties with firms outside their parent network, while spinouts that are not similar to their parent are more likely to form ties with firms within the parent network. These spinouts that prefer partners from their parent network are more likely to form ties with firms that have indirect ties to the parent firms.

Pre-entry or Pre-investment Capabilities? The Role of Capability Reconfigurations for Market Entry Into Nascent Industries by Mahka Moeen, University of North Carolina at Chapel Hill

This paper examines the capability antecedents of a firm market entry into a nascent industry. A firm’s technical capabilities and complementary assets, at time of entry, have been consistently noted as key determinants of the likelihood of entry. Drawing on the premise that firms make deliberate decisions regarding technological investments well before they enter nascent markets, I make a distinction between a firm’s pre-entry and pre-investment capabilities and study the type of pre-investment capabilities that are related to the likelihood of firm entry. I suggest that a firm’s pre-investment reconfiguration experiences are the critical capability: these experiences shape the firm’s development of pre-entry technical capabilities and complementary assets, which in turn affect the likelihood of entry. I find empirical support for the mediating role of pre-entry capabilities to the relationship between pre-investment experiences and the likelihood of entry in the context of the population of firms that conducted R&D investments in agricultural biotechnology between 1980 and 2010.

Entry and Intra-firm Learning: Co-location and Performance in the Hotel and Restaurant Industries by Evan Rawley and Robert Seamans, New York University

Our paper aims to understand conditions under which incumbent firms utilize additional entry into existing markets as a way to improve performance of their
legacy units in those markets. This practice, which is common in many industries, is known as co-location. While additional entry may cannibalize sales of existing units, there are several mechanisms through which performance of existing units might improve, including “flow” benefits arising from increased economies of scope and scale, and “stock” benefits arising from the ability of established units to learn from novel formats used in new units. In order to better understand the role of these mechanisms, we obtained Special Sworn Status to access U.S. Census Economic Survey data on the population of U.S. hotels and restaurants from 1977–2007. We find that legacy units benefit from the proximate addition of a new unit, and are hurt by the removal of an existing proximate unit. Interestingly, the absolute value of the productivity change is much greater when adding than when subtracting a unit. Thus, while the flow benefits associated with economies of scope and scale are important, the stock benefits that come from learning from other units is a valuable way that firms can enhance performance. The results suggest that new establishments drive positive within-firm co-location effects by teaching existing establishments new approaches and techniques that they would otherwise miss.

Valuation of Intangible Assets in Mergers and Acquisitions: Evidence from Cisco’s Acquisitions by Chandra Sekhar Mangipudi, Krishnamurthy V. Subramanian, Indian School of Business, and Rajkamal Vasu

We estimate the intrinsic value of intangible assets in mergers and acquisitions by examining the value paid for intangible assets of private, innovative targets. We compare across deals undertaken within the same year by Cisco Systems—an acquirer that represents the “gold standard for M&A practices.” Consistent with the property rights theory, the value paid increases by $102 million for each patent granted before the acquisition. Consistent with resource-based theories, the value paid increases by $6 million for each citation to the target’s patents, by $43 million for each citation by Cisco, and by $1.7 million for each target employee.

Uncertainty, Managerial Risk Aversion and Investment by Jonathan Goldberg, Board of Governors of the Federal Reserve System

The effects of fluctuations in uncertainty on business cycles are typically attributed to fixed adjustment costs or agency problems between diversified equity holders and debt holders. In this paper, I study whether and how a different type of financial friction— an agency problem between undiversified managers and outside investors — can explain the macroeconomic and financial effects of uncertainty shocks. I develop a tractable real business cycle model in which firms experience idiosyncratic shocks and managers cannot completely diversify these risks away. I calibrate the model and show that, in response to an increase in idiosyncratic uncertainty, aggregate investment and stock prices decline, while credit spreads increase. The model generates a sizeable and countercyclical equity premium because an increase in uncertainty leads to an endogenous decrease in investment and output,
as well as an increase in idiosyncratic consumption risk. I show that the model-implied effects of an uncertainty shock are consistent with those estimated using VARs. The following analytical results explain these effects. First, the dynamics for aggregate quantities in the model with imperfect risk sharing are the same as in a model with a representative firm, but with time-preference shocks that make agents suddenly reluctant to invest. Second, idiosyncratic uncertainty implies that the risk-free rate is depressed, even relative to the rate that would prevail in the liquidity-shock model with the same dynamics for aggregate quantities. Third, imperfect risk sharing leads to a positive investment wedge; following an uncertainty shock, managers must be compensated more to undertake risky investment.

**Initial Conditions, Entrepreneurial Choice and Firm Performance by Amy Nguyen-Chyung, University of Michigan**

How do market conditions at time of entry affect individuals’ later entrepreneurial choices and the performance of firms they start? This question is of great interest to researchers, but as a result of the endogenous selection of timing of entry, the effect of initial conditions has been difficult to identify. My preliminary analysis of all individuals in a single industry in a major metropolitan area shows that initial conditions strongly and significantly increase individuals’ later propensity to become entrepreneurs within the same industry. Since the industry is real estate brokerage, market conditions are measured by housing price changes as tracked by the regional Case-Shiller index. To obtain exogenous variation in the timing of entry, I use licensing exam results and a regression discontinuity design to exploit the different timing of start because of exam results.

10:00 a.m. – Session #6 (Kansas City Room)

**Chair: Margaret Blume-Kohout, MBK Analytics, LLC**

**Preferring John over Jane: Explaining Unequal Returns to Social Capital Among Entrepreneurs by Mabel Abraham, Massachusetts Institute of Technology**

In this paper, I reexamine the theoretical argument that women generate less value from using social ties because they tend to be embedded in less resourceful networks. Theories invoked to explain gender inequality in the benefits of social networks largely attribute these differences to the tendency for women to be embedded in networks that are poorer in social and economic resources. Although lacking access to valuable others constrains actors’ ability to exploit network resources, it is unclear whether men and women with the same opportunity to access resources through social ties generate equal benefits. Using data from organized business referral networks, this study leverages a unique opportunity to compare male and female entrepreneurs with access to the same social capital to
address this question. I find that a gender difference in the benefits men and women receive from using social ties only exists under conditions where a resource holder anticipates the preferences of a third party—client, family, or friend. Simply stated, men and women are equally likely to receive business directly from social ties, but when a network contact is connecting an actor to a third party, women receive far fewer referrals. This study suggests a new network mechanism for gender inequality—anticipatory third-party bias—where expectations that a client, friend, or family member has a preference for men over women leads actors to disproportionately exchange resources with male network contacts.

*Necessity is the Mother of Isomorphism* by Laura Doering, University of Toronto

Low-income entrepreneurs are generally seen as imitative, rather than innovative, entrepreneurs. Theories of entrepreneurial emergence suggest that social, financial, and information barriers hinder poor entrepreneurs from founding novel businesses. This paper challenges that perspective, demonstrating how poor entrepreneurs overcome the barriers to innovation through migration processes. Ultimately, however, poor entrepreneurs face unique challenges at the household and market levels that make it difficult to sustain novel businesses. Combining survey and interview data from Panama, this paper incorporates macro- and micro-level observations to analyze the effects of poverty on entrepreneurial innovation.

*Dynamics of Smallest Female Owned Businesses* by Naranchimeg Mijid, Central Connecticut State University

In the United States, small businesses are defined as independent firms with less than 500 employees. Many researchers use this definition when examining small businesses although it is a very broad measure. Small firms are heterogeneous and they differ from each other in many distinct ways even within the same geographic area, the same industry, the same age group, and even with the same number of employees; however, there are not many studies that distinguish small firms by size especially for women entrepreneurs. Using panel data from the Kauffman Firm Survey (KFS), this study explores the smallest female-owned businesses since the KFS private data contain more detailed information about firms’ locations, four-digit industry codes, and imputed values of missing variables. First, we use different measures for firm size (number of employees, assets, equity, and sales) to examine the financing decisions of the smallest female-owned firms and how their financing patterns have changed over time. Then we compare the changing dynamics of smallest businesses owned by women with other demographic groups (all small firms, smallest male-owned firms, and larger female-owned firms). The study fills the gap in the literature on gender discrimination and entrepreneurship topics and expands the existing body of knowledge by adding smallest female-owned firms’ access to credit.
Still the Same: Founding, Hiring, Retention, and the Evolution of Organizational Diversity by Jing Chen and Christopher I. Rider, Georgetown University

We integrate the literatures on founding imprints and on workforce segregation to theorize how organizational demography evolves from founding in a path-dependent manner, reproducing demographic similarity through differential hiring and retention mechanisms. Analyzing multiple dimensions of workforce diversity for a cohort of nearly 1,000 new organizations, we find that demographic founding imprints endure but that the dominant segregating mechanism varies by demographic dimension. Consistent with a founding imprint, current workforce diversity is increasing with diversity at founding, and the diversity effects of cumulative hiring and cumulative attrition are attenuated by founding team diversity. With respect to age and prior employer, cumulative hiring increases workforce diversity, but diversity decreases with cumulative attrition. With respect to country of origin and gender, cumulative hiring decreases workforce diversity and cumulative attrition is inconsequential for diversity. Implications for organizational performance and workforce integration are discussed.

Unequal Disadvantage: The Influence of The Great Recession on Gender, Racial & Ethnic Bias in Entrepreneurial Investment Markets by Sarah Thébaud, University of California, Santa Barbara

Sociological theory and previous research suggest that during times of economic uncertainty, individuals are cognitively more likely to fall back on old stereotypes and prejudices when making employment and investment decisions. However, individuals also have a stronger incentive to make accurate decisions during such times, which is more likely to be the case if decisions are based on a more objective criterion, such as prior performance. This paper explores these claims in the context of entrepreneurship during the 2008 financial crisis. An analysis of the Kaufman Firm Survey Panel Data suggests that, while all startups encountered greater difficulty securing investment after the financial crisis began, investors were significantly more likely to rely on the gender of a startup’s owner(s), and somewhat more likely to rely on the race of its owner(s), as a basis of investment decisions during the recession (as compared to the pre-recession or recovery years). By contrast, investors were only marginally more likely to rely on the firm’s profitability, and not at all more likely to rely on its credit risk or the owner’s (or owners’) industry and entrepreneurship experience during the recession period. These findings provide implications for the social processes that reproduce forms of inequality in entrepreneurship and move beyond analyses of traditional organizational and work contexts to address how a generalized sense of uncertainty in the economic environment may affect cognitive processing and decision making among individuals.
Pop-up to Permanent: Evolving Vocabularies of Entrepreneurship by Daphne Demetry, Northwestern University

Increasingly, scholars of entrepreneurship investigate how founders use narrative as a tool to garner resources for their fledgling firms. In this paper, I add to this burgeoning research by investigating the influence of phase in organizational development on entrepreneurial language. I use ethnographic and secondary materials of pop-up restaurants—alternative culinary startups that operate in a temporary manner—to trace founders’ linguistic progression from an iterative and informal pop-up to an established restaurant. Using C. Wright Mills’ (1940) “vocabularies of motive” as my theoretical framework, I argue that there are two forms of vocabularies of entrepreneurship, each marked by stage in firm creation. I find that nascent pop-up entrepreneurs do not self-identify as business owners. Rather, they employ a ‘labor of love’ vocabulary, stressing nonmonetary goals and passionate motives for the craft in and of itself. Once founders achieve stability, typically through a permanent restaurant space, they label themselves as business owners and raise a mature entrepreneurial vocabulary, rhetoric that focuses on “a means to an end” of venture creation, such as profit making and restaurant ownership.

The Evaluator’s Option: Identity, Performance, and Endogenous Reference Group Selection by Edward Smith, Northwestern University, and Heewon Chae

Recent research shows that audiences respond to organizational performance in ways that seem anomalous according to prior theories. In this paper we propose that variations in the extent to which an organization conforms to a known market category affects the way audiences construct reference groups—whether broad or narrow, ex ante or ex post—and thus shapes their response to organizational performance. In an experiment on buying, selling, and evaluating the performance of a certain kind of financial instrument, we show that positive (negative) performance induces audiences to endogenously select broad (narrow) reference groups when evaluating atypical organizations. Audiences’ prior sentiment toward the organization they are evaluating—specifically their feelings of commitment—further moderate this relationship. Our results have several implications for theories related to organizational identity and identification, social comparison, and judgment and decision making.

The Role of Learning Inertia in New Product Innovation Process by Yinhong Susan Wei, Texas A&M International University

Learning inertia concerns the propensity of a firm to continue relying on processes that have been successful in the past, even though they are no longer optimal. Although the concept of learning inertia was introduced in management literature more than a decade ago, it has been the focus of little conceptual development and
no empirical research. Given the potential adverse consequences of learning inertia in NPD, it is important that we understand the sources and impact of learning inertia. This study develops an integrated conceptual framework to help researchers and managers identify and reduce the effect of learning inertia on NPD. Entrepreneurial orientation and network learning are suggested as the remedies for managing the possible adverse effects.

A survey is conducted from a high-technology industrial zone in China. Structural equation modeling and reliability tests are used for data analysis. Three types of learning inertia are identified: (1) vision inertia, (2) technology inertia, and (3) procedure inertia. The newly developed scales demonstrate reasonably good validity and reliability. The findings show that customer orientation leads to a procedure inertia. However, procedure inertia is positively associated with NPD creativity and NPD efficiency. Vision inertia is negatively associated with NPD creativity. The relationship between technology inertia and new product innovation is indirect and moderated by entrepreneurial orientation and network learning. Moreover, entrepreneurial orientation (but not network learning) is the remedy for highly market-oriented firms to reduce technology inertia. The implications, limitations, and future research directions are also discussed.